GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:241
ANSWERED ON:25.02.2000
STATE SHARE ON TAXES
AJAY CHAKRABORTY;GEETA MUKHERJEE

Will the Minister of FINANCE be pleased to state:

(a) whether the Tenth Finance Commission`s recommendations on the devolution of States` share of revenues from Central income tax and excise duties is not being implemented; and

(b) if so, the details and reasons therefor?

Answer

MINISTER OF STATE FOR FINANCE (SHRI V. DHANANJAYA KUMAR)

(a)& (b): The Government has approved in principle the Alternative Scheme of devolution of Central Taxes recommended by the Tenth Finance Commission subject to certain modifications. Under the approved scheme, a prescribed percentage of the net proceeds of almost all Central Taxes (excluding Stamp Duty, Excise Duty onmedicinal/toilet items, Central Sales Tax, Consignment tax and Surcharge) will be assigned to the Sates in lieu of existing share in Income Tax and Basic/Special Excise Duties, Additional Excise Duties in lieu of Sales Tax on tobacco, cotton and sugar and Grants in lieu of Tax on Railway passenger fares. This will be effective from 1st April, 1996 to 31st March, 2000. The percentage share of net proceeds during 1996-97 to 1999-2000 will be such that the States` share is 29% of the gross proceeds. The percentage share of States is to be reviewed by successive Finance Commissions instead of freezing it for fifteen years as suggested by the Tenth Finance Commission.